

A Review on "OWNING UP: The 14 Questions Every Board Member Needs to Ask"

Arya Vikas Baride, PhD

Professor and faculty member at Vishwakarma Institute of Management (VIM), Pune, India.

Contact: aryabaride@vim.ac.in

Abstract

This article reviews following book:

Owning Up: The 14 Questions Every Board Member Needs to Ask

By Ram Charan (2009)

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Ram Charan, the author of the book is a highly sought-after advisor to corporate, board, CEOs, and senior executives in companies ranging from start-ups to the fortune 500, including GE, DuPont, and Colgate-Palmolive. He also has an inside perspective as a board member for Tyco, Austin Industries, and diversified Indian corporations. The contemporary view of the author towards solving the business problems is very innovative.

This book talks about 14 questions which every board member has to ask to himself for running a business effectively and efficiently.

The first question raised by author is, 'Is our board composition right?' Here, author concentrates on the board's succession procedure and selection of right members in the board. He states that hardworking and conscientious boards can fail when their members lack crucial expertise. He also has suggested board members that they must do their succession planning well in advance to ensure the right mix of skills, experiences, and expertise at all times. This right mix of skills will ensure that board can solve the problems with internal intelligence only.

Second question asked in next chapter is, 'Are we addressing the risk?'. Board of Directors has to think broadly on the risk and also has to understand its sources. While taking decisions, Board of Directors has to consider the risk and its impact on balance-sheet of the organization. Financial risk must be viewed in the context of the global financial system. Book also gives an innovative concept of creating a risk committee to dig deeper into potential sources of risk.

Next question is 'Are we prepared to do our job in a crisis?'. A board has to be attentive to prevent the crises and ensure that management is prepared for the knowable unknown. Board may have to the lead when an emergency situation arises to keep people informed, steady people's nerves, and help management sort through the ambiguity.

'Are we well prepared to name our next CEO?' This question is discussed in the fourth chapter. The author states that, boards have to ensure the company has the right CEO at all times. CEO has to be changed according to the changing conditions of the company. Therefore board has to start the process of succession by pinpointing what the company needs most. Several years' discussions of the succession allow time to get to know the candidate well.

Fifth question is, 'Does our board own the strategy? In this chapter author explains that directors has to get engaged in company's strategy. Directors are expected not only to understand the strategy but they also have to contribute in the same. The board's objectivity and diverse viewpoints can help

management detect a bend in the road and peak times to sell the business. Directors should revisit the strategy regularly as the strategy is not fixed for the long time because the world continuously changes.

In the chapter 'How can we get information?', author comments that board should assign some directors to ensure the source of information that comes to directors, because board needs right information at right time. The information includes internal as well as external information. Management also has to provide the key figures and useful commentary to the board.

'How can we get CEO compensation right?' this is the seventh question discussed by author. Rigid formulas and absolute numerical targets do not always work as expected, while making judgment about executive compensation. Hence, author opines that the entire board and not one or two individuals should determine the compensation of CEO.

Eighth question discussed is 'Why do we need Lead Director anyway?'. Lead director plays a big role in creating the positive social dynamic that the board's effectiveness is depend upon. Author here explains that social skills and social blend of temperament and personality are expected in the lead director.

Next chapter is, 'Is our governance committee best of breed?'. The governance committee plays an important role in ensuring the board functions well as per its responsibilities. The governance committee is responsible for turning around the board faltering. Governance committee also looks after the relationship between board and CEO as well as relationship with management.

'How do we get value from our time?' is the tenth question where author has suggested that CEO and directors should work together to improve the 'return on their time'. Directors should devote the time for the company without complaining. Also the priorities of the board should be defined and should be discussed them in the meetings.

Next question which board has to ask is, 'How can executive sessions help own up?'. The executive session is single best innovation for boards to own up. Author suggests that executive sessions should be organized in informal way so that directors can raise any issues and these sessions have to be held before board meetings so that it can serve its purpose better.

Twelfth question is, 'How can self-evaluation improve output?' Peer review is a chance to reinforce positive behavior and get at issues that are difficult to raise. It can help to understand whether the board is really contributing to the business or not.

Micromanaging drains the energy and makes board and management less effective which is discussed in the chapter 'How do we stop from micromanaging?'

The last question in this book is 'Can we work with shareholder activists?' Boards have to communicate directly with the shareholders when the situation warrants. Also board has to hear the concerns of shareholders and work constructively upon that.

All these fourteen questions are likely to be asked by Directors to themselves for efficient and effective working of the organization. As Directors are the main decision makers of any organization, they have to act responsibly and constructively.

Simple language used by the author and his own experiences make this book easier and interesting for the readers. Book also contains global examples that emphasize the necessity of each question discussed in the book. One can call this book as a 'ready guide' for the Board of Directors.